

Message Text

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ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 AID-05 CEA-01 CIAE-00 COME-00
EB-08 FRB-03 INR-07 NSAE-00 SP-02 STR-04 TRSE-00
LAB-04 SIL-01 OMB-01 INT-05 PA-01 PRS-01 USIA-06
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R 281637Z APR 77
FM US MISSION EC BRUSSELS
TO SECSTATE WASHDC 3640
INFO ALL EC CAPTIALS
USMISSION OECD PARIS
USDEL MTN GENEVA

LIMITED OFFICIAL USE EC BRUSSELS 4287

E.O. 11652: N/A
TAGS: ETRD EIND EEC
SUBJECT: EC STEEL PRODUCTION

REF: (A) EC BRUSSELS 464, (B) EC BRUSSELS 2080

1. ACCORDING TO STATISTICS PROVIDED BY COMMISSION STEEL OFFICIALS, PRODUCTION IN MARCH 1977 TOTALLED 11.58 MILLION TONS COMPARED WITH 10.1 MILLION TONS IN FEBRUARY 1977 AND 11.9 MILLION TONS IN MARCH 1976. FIRST QUARTER PRODUCTION WAS 32.46 MILLION TONS--A DECREASE OF ONE PERCENT FROM THE FIRST QUARTER 1976 FIGURE OF 32.8 MILLION. THE FOLLOWING TABLE ILLUSTRATES RECENT STEEL PRODUCTION DEVELOPMENTS IN THE EC.

PRODUCTION OF CRUDE STEEL IN THE EC (THOUSNADS OF TONS)

	MARCH 1977	FEBRUARY 1977	1ST QTR 1977	1ST QTR 1976	PERCENT CHANGE IN QUARTERLY
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PRODUCTION

FRG	3,599	2,983	9,691	10,474	MINUS 7.5
FRANCE	2,127	1,778	5,696	5,663	PLUS 0.6
ITALY	2,063	1,943	6,028	5,476	PLUS 10.1

NETH 386 386 1,223 1,257 MINUS 2.7

BELG 1,083 950 2,988 2,964 PLUS 0.8

LUX 407 342 1,075 1,174 MINUS 8.4

UK 1,830 1,669 5,517 5,599 MINUS 1.5

IRE 8 7 23 - -

DEN 74 69 216 189 PLUS 14.3

EEC 11,577 10,157 32,457 32,796 MINUS 1.0

2. FEBRUARY ORDER BOOKS FOR EC FIRMS REGISTERED A SMALL INCREASE OVER JANUARY LEVELS BUT A DECLINE ON AN ANNUAL BASIS AS THE TABLE BELOW INDICATES. MOST NOTABLE IS THE INCREASE IN ORDERS FROM THIRD COUNTRIES COMPARED WITH FEBRUARY 1976.

ORDERS RECEIVED IN JANUARY 1977 (1)

(THOUSANDS OF TONS)

	FROM ECSC	FROM THIRD COUNTRIES	TOTAL
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FEB 1977	6,092	1,503	7,595
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JAN 1977	5,852	1,419	7,271
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FEB 77/JAN 77 PLUS 4.1 O/O PLUS 5.9 O/O PLUS 4.5 O/O

FEB 1976	7,051	951	8,002
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FEB 77/76 MINUS 13.6 O/O PLUS 58.0 O/O MINUS 5.1 O/O

(1) FINISHED ROLLED PRODUCTS AND END PRODUCTS, INGOTS, SEMIS AND COILS OF ORDINARY STEEL. (QUANTITIES DESTINED FOR RE-ROLLING WITHIN THE COUNTRY ARE NOT INCLUDED.)

3. COMMISSION OFFICIALS ESTIMATE THAT ORDERS FOR MARCH WILL BE ABOUT 20 PERCENT ABOVE FEBRUARY. THEY ATTRIBUTE THIS NOT TO ANY FUNDAMENTAL IMPROVEMENT IN THE MARKET, BUT TO SPECULATIVE BUYING BECAUSE OF THE PROSPECT OF MINIMUM PRICES UNDER THE DAVIGNON PLAN FOR THE STEEL INDUSTRY, AS WELL AS TO SEASONAL PATTERNS. A SIMILAR POSITIVE TICK WAS REGISTERED DURING THE 1975 EFFORT TO SECURE OBLIGATORY MINIMUM PRICES FOR STEEL PRODUCTS. THIS INVENTORY BUILD-

UP HAS HAD AN ACROSS-THE-BOARD EFFECT ON PRICES, DRIVING THE PRICE OF REINFORCING BARS FROM ABOUT \$135 PER TON TO ABOUT \$180 PER TON FOR REINFORCING BARS.)

4.SOME LATE QUARER BUYING DUE TO THE MINIMUM PRICE PROVISION OF THE DAVIGNON PLAN SEEMS TO HAVE PUSHED EC STEEL PRDOCTION SLIGHTLY OVER THE COMMISSION'S FORECAST OF 32.2 MILLION TONS. HOWEVER, COMMISSION FFICIALS SAY THAT WITHOUT A FUNDAMENTAL TURNAROUND, PROSECTS REMAIN CATASTRPHIC FOR THOSE FIRMS WHOSE CASH RESERVE PSITIONS HAVE REMAINED DEPLETED SINCE 1975. THE FEW STEEL PRODUCERS WHO MAY BE RUNNING AT A PROFIT ARE THSODE WITH WIDELY DIVERSIFIED ACTIVITIES.HINTON

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Message Attributes

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Sent Date: 28-Apr-1977 12:00:00 am
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